

NATURAL RESOURCES CODE
CHAPTER 87. REGULATION OF SOUR NATURAL GAS
SUBCHAPTER A. GENERAL PROVISIONS

Sec. 87.001. DEFINITIONS. In this chapter, the words "oil," "gas," "commission," "common reservoir," "gas well," "oil well," "sour gas," "sweet gas," "natural gasoline," "cubic foot of gas," and "casinghead gas" are defined as provided in Section 86.002 of this code.

Acts 1977, 65th Leg., p. 2541, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER B. POWERS AND DUTIES OF COMMISSION

Sec. 87.011. RULES AND ORDERS. (a) In administering the provisions of this chapter, the commission shall hold hearings, make determinations, and promulgate rules and orders as provided in Sections 86.084-86.090 of this code and other laws of this state.

(b) After notice and hearing as provided by law, the commission shall promulgate any other rule or order it finds necessary to carry out the provisions of this chapter.

Acts 1977, 65th Leg., p. 2541, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.012. VALIDITY. (a) Rules and orders adopted by the commission under the terms of this chapter are considered prima facie valid.

(b) A person affected by an order may sue to test the validity of the order adopted by the commission under this chapter in the same manner, on the same conditions, and in the same court or courts as prescribed for suits testing the validity of orders of the commission promulgated under the general oil conservation statutes of this state.

Acts 1977, 65th Leg., p. 2541, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.013. HEARINGS. From time to time, the commission shall hold hearings, after proper notice, to hear evidence and to adopt rules and orders to enforce the provisions of this chapter.

Acts 1977, 65th Leg., p. 2541, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.014. INSPECTION OF RECORDS; REPORTS. In addition to authority given by existing law, the commission or its agents may:

(1) inspect the books and records of any person who is affected by the provisions of this chapter; and

(2) require sworn reports to be filed from time to time as the commission finds necessary.

Acts 1977, 65th Leg., p. 2541, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER C. PRODUCTION OF SOUR GAS

Sec. 87.051. LIMITATION OF SOUR GAS PRODUCTION. No person may produce sour gas from any sour gas well in a reservoir producing both sweet and sour gas in excess of the daily allowable production for the gas well as fixed by the orders and schedules of the commission. The rate of production from a sour gas well is considered to be the daily average rate of production for the calendar month.

Acts 1977, 65th Leg., p. 2542, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.052. MAXIMUM PRODUCTION OF SOUR GAS FOR CARBON BLACK MANUFACTURE. (a) In any common reservoir in the state producing both sweet and sour gas, there shall never be produced from the common reservoir for use in carbon black manufacture a maximum daily volume of sour gas from the gas wells in excess of 750 million cubic feet.

(b) The commission shall prorate the daily volume of sour gas from gas wells among all the sour gas wells in the reservoir to prevent cognizable and preventable drainage of gas from tracts of land in the sour gas producing area segregated as to surface position and common ownership on which the sour gas wells are located.

Acts 1977, 65th Leg., p. 2542, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.053. EFFECT OF DEMAND BELOW MAXIMUM ALLOWABLE PRODUCTION. (a) If the daily demand for sour gas from gas wells for use in carbon black manufacture is less than the daily maximum allowable permitted in Section 87.052 of this code, the total daily volume of gas from gas wells from the sour gas area for use in carbon black manufacture shall be equal to the daily demand.

(b) The commission shall determine the daily demand and prorate it among all the sour gas wells in the area as provided in Section 87.052 of this code.

Acts 1977, 65th Leg., p. 2542, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.054. EFFECT OF DEMAND FOR OTHER PURPOSES THAN CARBON BLACK MANUFACTURE. (a) If a lawful daily demand exists for sour gas from gas wells for purposes of utilization permitted by law, other than the manufacture of carbon black, the additional demand shall be added to the daily demand for carbon black manufacture, and that sum shall constitute the daily volume of sour gas from gas wells that may be withdrawn from the common reservoir for utilization.

(b) The commission shall prorate the daily volume provided for in Subsection (a) of this section among the sour gas wells in the area on the basis set forth in Section 87.052 of this code.

Acts 1977, 65th Leg., p. 2542, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER D. PLANTS EXTRACTING NATURAL GASOLINE

Sec. 87.091. PROHIBITED COMMINGLING OF GAS. In a plant for the extraction of natural gasoline content of gas, no sweet gas may be commingled with sour gas and no casinghead gas may be commingled with sweet gas or sour gas or both, except on the conditions and requirements stated in this subchapter.

Acts 1977, 65th Leg., p. 2543, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.092. PERMIT REQUIRED. In any common reservoir in this state producing both sweet and sour gas, no person may operate a plant for the extraction of the natural gasoline content of gas in which sweet gas and sour gas are commingled, or plant casinghead gas is commingled with either sweet gas or sour gas or both, until the person secures from the commission a permit authorizing the operation of the plant.

Acts 1977, 65th Leg., p. 2543, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.093. ISSUANCE OF PERMIT. The commission shall issue a permit if it appears that the plant is being operated and the residue gas from the plant is and will be disposed of in accordance with the provisions of this subchapter.

Acts 1977, 65th Leg., p. 2543, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.094. CANCELLATION OF PERMIT. (a) If it appears to the commission that a plant is operating in violation of any of the provisions of this subchapter, the commission shall cancel the permit issued to the plant.

(b) After the cancellation of the permit, no operator of the plant may commingle either sweet gas and sour gas or casinghead gas with sweet gas or sour gas in the plant for the purpose of extracting the natural gasoline content.

Acts 1977, 65th Leg., p. 2543, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.095. RESIDUE GAS ALLOWED IN AIR. (a) Except as provided in Subsection (b) of this section, if a plant operating under this subchapter commingles casinghead gas with sweet gas or sour gas or both, the operator of the plant shall not blow, or permit to be blown, in the air any of the residue gas remaining after the gasoline content of the gas is extracted.

(b) The operator of a plant may blow in the air an amount of residue gas from the plant that is determined by the commission to be necessary to accomplish uninterrupted deliveries in required amounts to carbon black plants for carbon black manufacture.

Acts 1977, 65th Leg., p. 2543, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.096. RESIDUE GAS: DETERMINATION BY COMMISSION. If a plant operating under this subchapter commingles casinghead gas with sweet gas or sweet gas with sour gas, the commission shall ascertain:

(1) the quantity of residue gas required to be used for fuel purposes in the efficient operation of the plant; and

(2) the quantity of residue gas required to be returned by the operator of the plant to the leases to which the plant is connected for use as fuel in the operation of the leases.

Acts 1977, 65th Leg., p. 2543, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.097. USE OF RESIDUE GAS FOR OTHER PURPOSES. (a) The

operator of the plant is required to use, or cause to be used, for one or more of the uses provided for sweet gas by law a quantity of the residue gas from the plant equal to the quantity of sweet gas taken into the plant for processing, less the extraction loss from the processing.

(b) The operator shall not be credited with use of residue for plant-fuel or lease-fuel operations in an amount in excess of the quantity of the residue gas found by the commission to be necessary for the efficient operation of the plant and return to the leases for fuel for lease operations.

Acts 1977, 65th Leg., p. 2544, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER E. USE OF GAS WITHOUT EXTRACTION OF NATURAL GASOLINE

Sec. 87.131. USE OF SWEET GAS FOR CARBON BLACK MANUFACTURE. Sweet gas produced from any gas well in this state may be used without the prior extraction of its gasoline content for the manufacture of carbon black if it is used in a plant producing an average recovery of not less than five pounds of carbon black for each 1,000 cubic feet of gas.

Acts 1977, 65th Leg., p. 2544, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.132. USE OF GAS FROM CERTAIN WELLS FOR CARBON BLACK MANUFACTURE. (a) Gas from any gas well completed on or before September 5, 1947, within a common reservoir producing both sweet and sour gas from which the gas was not sold off the leased premises to an interstate pipeline company during the year immediately preceding September 5, 1947, or gas from any gas well completed after September 5, 1947, within a common reservoir producing both sweet and sour gas, may be used for the manufacture of carbon black without the prior extraction of its natural gasoline content if:

(1) it is used in a plant producing an average recovery of not less than one and one-half pounds of carbon black for each 1,000 cubic feet of gas; and

(2) the royalty rate and market price paid for the gas at the wellhead at least equals the royalty rate and market price paid at the wellhead in the immediate area for gas used for light and fuel purposes.

(b) In arriving at the market price of sour gas, a reduction of not more than one-half cent per 1,000 cubic feet shall be allowed for purifying the gas to render it suitable for light and fuel purposes.

(c) If the gas is used by a producer, any royalty rate paid shall be paid on the same basis.

Acts 1977, 65th Leg., p. 2544, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.134. EFFECT OF SUBCHAPTER. The provisions of this subchapter are cumulative of existing laws relating to the uses of gas and do not restrict or affect the manufacture of carbon black from processed sour gas as authorized by Section 86.182 of this code.

Acts 1977, 65th Leg., p. 2545, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER F. USE OF GAS DETERMINED BY HYDROCARBON CONTENT

Sec. 87.171. GAS CONTAINING LOW HYDROCARBON CONTENT. Any natural gas, including casinghead gas, produced from any gas well or oil well in this state, containing less than one and one-half gallons of propane and heavier hydrocarbons per 1,000 cubic feet, as determined by fractional analysis made of the gas, may be used for the manufacture of carbon black in a plant producing an average recovery of at least one and one-half pounds of carbon black for each 1,000 cubic feet of gas consumed.

Acts 1977, 65th Leg., p. 2545, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.172. GAS CONTAINING HIGH HYDROCARBON CONTENT. (a) Except as provided in Subsection (b) of this section, no natural gas, including casinghead gas, produced from any gas well or oil well in this state, containing one and one-half gallons or more of propane and heavier hydrocarbons per 1,000 cubic feet, as determined by fractional analysis made of the gas, may be used for the manufacture of carbon black in a plant producing an average recovery of at least one and one-half pounds of carbon black for each 1,000 cubic feet of gas consumed without the prior extraction of its natural gasoline content.

(b) On the filing of an application and after proper notice and hearing as provided by law, the commission may authorize the use

of any natural gas, including casinghead gas, containing one and one-half gallons or more of propane and heavier hydrocarbons per 1,000 cubic feet, as determined by fractional analysis made of the gas, in the manufacture of carbon black in a plant producing an average recovery of at least one and one-half pounds of carbon black for each 1,000 cubic feet of gas consumed if the commission finds it is unprofitable to first extract the natural gasoline content of the gas.

Acts 1977, 65th Leg., p. 2545, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.173. ADDITIONAL EXTRACTION TO ALLEVIATE SHORTAGE. If a general shortage of propane or heavier liquid hydrocarbons occurs, the commission, after notice and hearing, may require additional extraction of hydrocarbons from the gas to alleviate the shortage, but additional extraction shall not be required if it is not economically feasible to do so.

Acts 1977, 65th Leg., p. 2545, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 87.174. APPLICABILITY OF THIS SUBCHAPTER. The provisions of this subchapter shall not apply to:

(1) gas produced from a common reservoir that contains both sweet and sour gas which was being lawfully used for the manufacture of carbon black under the provisions of the source law codified in Subchapters D and E of this chapter at the time of the passage of the source law for this section; or

(2) gas from gas wells located in these reservoirs which were entitled to be so used under the provisions of the source law codified in Subchapters D and E of this chapter at the time of the passage of the source law for this section.

Acts 1977, 65th Leg., p. 2545, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER G. CARBON BLACK PLANTS

Sec. 87.211. PROHIBITED LOCATION. Unless adequate precaution is taken to minimize the emission of smoke from the plant, no channel-type carbon black plant shall be erected or constructed closer than five miles to:

(1) the limits of a city, town, or village incorporated at or before the time the erection or construction of the plant is begun; or

(2) a commercially operated citrus fruit orchard planted not less than one year before the time the erection or construction of the plant is commenced.

Acts 1977, 65th Leg., p. 2546, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER H. ENFORCEMENT

Sec. 87.241. PENALTY. (a) A person who violates this chapter is liable to a penalty of not more than \$1,000 for each offense.

(b) Each day a violation occurs constitutes a separate offense.

(c) The penalty may be recovered by the State of Texas, with costs of suit, in a civil action instituted by the attorney general in Travis County, in the county in which the violation occurred, or in the county of residence of the defendant.

Acts 1977, 65th Leg., p. 2546, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977. Amended by Acts 1983, 68th Leg., p. 5255, ch. 967, Sec. 3, eff. Sept. 1, 1983.

Sec. 87.242. INJUNCTIVE RELIEF. (a) A violation or threatened violation of this chapter may be enjoined by any court of competent jurisdiction in which suit for penalty may be brought.

(b) The court shall issue the writs or prohibitory or mandatory injunctions that the facts justify.

Acts 1977, 65th Leg., p. 2546, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.